

July 22, 2004

Power Resources, Inc.
ATTN: W. F. Kearney, Manager
Health, Safety & Environmental Affairs
Smith Ranch-Highland Uranium Project
P.O. Box 1210
Glenrock, Wyoming 82637

SUBJECT: 2004 ANNUAL SURETY UPDATE FOR THE POWER RESOURCES, INC.
SMITH RANCH-HIGHLAND URANIUM PROJECT, AMENDMENT 8 TO
SOURCE MATERIALS LICENSE SUA-1548 (TAC LU0052)

Dear Mr. Kearney:

By letter dated June 25, 2004, to the U.S. Nuclear Regulatory Commission (NRC), Power Resources, Inc. (PRI) submitted its annual financial surety update for the Smith Ranch-Highland Uranium Project, as required by 10 CFR Part 40, Appendix A, Criterion 9, and License Condition (LC) 9.5 of PRI's Source Materials License SUA-1548 for the Smith Ranch-Highland Uranium Project. As noted in your letter, PRI has submitted separate financial surety updates for the contiguous Smith Ranch and Highland facilities as there are separate Wyoming Department of Environmental Quality Mining Permits for each facility. The staff's evaluation of the proposed new sureties for the Smith Ranch and Highland facilities is provided below.

SMITH RANCH FACILITY

The proposed new surety for the Smith Ranch facility is \$15,695,700 and is based on the total estimated costs (in 1998 dollars) for site reclamation and restoration, as adjusted to account for inflation of the 1998 cost estimate and the costs associated with overhead, management, and contingencies. The total estimated cost (in 1998 dollars) for site reclamation and restoration is \$10,909,260 and consists of the costs of groundwater restoration (\$8,236,400), equipment removal and disposal (\$146,776), building demolition and disposal (\$1,057,624), well-field buildings and equipment removal and disposal (\$291,758), well abandonment (\$762,441), well-field and satellite surface reclamation (\$56,610), and other miscellaneous reclamation activities (\$357,652). When the total cost for site reclamation and restoration (\$10,909,260) is adjusted for inflation of 15.1% from July 1, 1998 to April 30, 2004, the present day cost becomes \$12,556,558. The application of a 25% fee (\$3,139,140) to the inflation-adjusted reclamation and restoration cost for overhead, management, and contingencies results in the proposed new surety of \$15,695,700.

The NRC staff has evaluated the bases for PRI's proposed new surety for the Smith Ranch facility and considers the bases to be comprehensive, complete and reasonable. The new surety (\$15,695,700) is approximately 8.6% more than the current approved surety (\$14,456,300) and reflects the status of the current and planned operational activities at the site and the best estimate of the current funds needed for reclamation and restoration. The increase in the proposed new surety is primarily due to the increase in groundwater restoration costs associated with the planned development of new wellfields at Mine Unit 15 during the forthcoming one-year surety period.

The staff notes that the new surety appropriately accounts for the costs of inflation in the reclamation and restoration estimates. The staff also finds that the new surety is conservatively derived with the application of a 25% fee to the total reclamation and restoration costs for overhead, management, and contingencies, as discussed above, to account for any uncertainties in the proposed new surety estimate. Further, there is a significant likelihood that some of the reclamation and restoration costs currently included in the new surety will not be incurred if area landowners request the retention and use of some of the existing roads and buildings at the site. Based on the foregoing evaluation, the staff concludes that the proposed new surety (\$15,695,700) for the Smith Ranch facility is acceptable.

HIGHLAND FACILITY

The proposed new surety for the Highland facility is \$22,402,000 and is based on the total estimated costs (in 1998 dollars) for site reclamation and restoration, as adjusted to account for inflation of the 1998 cost estimate and the costs associated with overhead, management, and contingencies. The total estimated cost (in 1998 dollars) for site reclamation and restoration is \$15,570,446 and consists of the costs of groundwater restoration (\$11,196,075), equipment removal and disposal (\$103,633), building demolition and disposal (\$1,011,992), well-field buildings and equipment removal and disposal (\$1,143,565), well abandonment (\$1,332,358), well-field and satellite surface reclamation (\$87,089), and other miscellaneous reclamation activities (\$695,734). When the total cost for site reclamation and restoration (\$15,570,446) is adjusted for inflation of 15.1% from July 1, 1998 to April 30, 2004, the present day cost becomes \$17,921,583. The application of a 25% fee (\$4,480,396) to the inflation-adjusted reclamation and restoration cost for overhead, management, and contingencies results in the proposed new surety of \$22,402,000.

The NRC staff has evaluated the bases for PRI's proposed new surety for the Highland facility and considers the bases to be comprehensive, complete and reasonable. The new surety (\$22,402,000) is approximately 5.3% more than the current approved surety (\$21,278,100) and reflects the status of the current and planned operational activities at the site and the best estimate of the current funds needed for reclamation and restoration. The increase in the proposed new surety is primarily due to the increase in groundwater restoration costs associated with further development and operations at Mine Unit-I during the forthcoming one-year surety period.

Source Materials License SUA-1548 is amended by revising LC 9.5 to indicate that PRI shall continuously maintain approved surety instruments in the amount of no less than \$15,695,700 for the Smith Ranch facility and \$22,402,000 for the Highland facility for the purpose of complying with 10 CFR Part 40, Appendix A, Criterion 9, until a replacement is authorized by both the State of Wyoming and the NRC. All other conditions of the license shall remain the same. The license is being reissued to incorporate the changes to LC 9.5. These changes are provided as Amendment No. 8 to Source Materials License SUA-1548. PRI has 30 days from the date of this letter to secure an acceptable surety arrangement and provide a copy to the NRC. An environmental review for this action was not performed since this action is categorically excluded under 10 CFR Part 51.22(c)(10).

If you have any questions regarding this letter, please contact Rick Weller, the acting Project Manager for the evaluation of the Smith Ranch and Highland proposed new sureties, at (301) 415-7287 or via e-mail to RMW2@nrc.gov.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8964
License No.: SUA-1548

Enclosure: Amendment No. 8 to Source
Materials License SUA-1548

cc: S. Ingle, WDEQ-LQD

W. F. Kearney

3

July 22, 2004

If you have any questions regarding this letter, please contact Rick Weller, the acting Project Manager for the evaluation of the Smith Ranch and Highland proposed new sureties, at (301) 415-7287 or by e-mail to RMW2@nrc.gov.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 40-8964
License No.: SUA-1548

Enclosure: Amendment No. 8 to Source
Materials License SUA-1548

cc: S. Ingle, WDEQ-LQD

CLOSES TAC LU0052

DISTRIBUTION:

FCFB r/f J Lusher MMoriarty

C:\ORPCheckout\FileNET\ML042110016.wpd

*See previous concurrence

ML042110016

OFC	FCFB		FCFB		FCFB		FCFB	
NAME	R. Weller*		B. Garrett		B. Nelson		G. Janosko	
DATE	7/21/04		7/22/04		7/22/04		7/22/04	

OFFICIAL RECORD COPY